OEI

| Core Question 2: Is the organization in sound fiscal health? |
|---|

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

| 2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months? | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Indicator Targets** | Does not meet standard | The school does not meet standard on 2 or more of the five sub-indicators shown below. | | | | | |
| | Approaching standard | The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator. | | | | | |
| | Meets standard | The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator. | | | | | |
| | Exceeds standard | The school meets standard for all 5 sub-indicators. | | | | | |

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|
| School Rating | **2013-14** | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| | **AS** | N/A | N/A | N/A | N/A | N/A | N/A |

| | Sub-indicator | Sub-indicator targets | | Result | Rating |
|---|---|---|---|---|---|
| **Sub-indicator Ratings** | Enrollment Ratio | DNMS | Enrollment ratio is less than or equal to 89% | 42% | DNMS |
| | | AS | Enrollment ratio is between 90 – 98% | | |
| | | MS | Enrollment ratio equals or exceeds 99% | | |
| | February Enrollment Variance | DNMS | Enrollment ratio is less than or equal to 89% | 104% | MS |
| | | AS | Enrollment ratio is between 90 – 95% | | |
| | | MS | Enrollment ratio equals or exceeds 95% | | |
| | Current Ratio | DNMS | Current ratio is less than or equal to 1.0 | 4.02 | MS |
| | | AS | Current ratio is between 1.0 – 1.1 | | |
| | | MS | Current ratio equals or exceeds 1.1 | | |
| | Days Cash on Hand | DNMS | Days cash on hand is less than or equal to 30 | 69 | MS |
| | | AS | Days cash on hand is between 30-45 | | |
| | | MS | Days cash on hand equals or exceeds 45 | | |
| | Debt Default | DNMS | Default or delinquent payments identified | Meets | MS |
| | | MS | Not in default or delinquent | | |

Enlace Academy receives a rating of **approaching standard** for Core Question 2.1 because it met standard for four sub-indicators and did not meet standard for one sub-indicator. The school **did not meet standard** for its enrollment variance ratio. At the September 2013 Count Day, the Indiana Department of Education (IDOE) indicated that school had 105 students enrolled. This is 42% of the 250 students that the school promised the community it would serve in its charter contract. The much lower than expected enrollment was a surprise to the school and its board given that the school had received more than 300 applications for its 250 slots. Both the school

leader and iboard acted swiftly to revise the school's staffing model given the much lower student population. Additionally, the school and its board engaged in a deep analysis to understand why the challenges had occurred and to prevent them from happening in subsequent years.

The school **met standard** for its February Enrollment Variance. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2014 Count Day conducted by the Indiana Department of Education divided by the number of students enrolled at the time of the September 2013 Count Day. IDOE indicated that the school had 109 students enrolled at the February Count Day. This represents 104% of the number of students enrolled at the time of the September Count Day.

With regard to its current ratio, the school **met standard** meaning that it had current assets (cash or other assets that can be accessed in the next 12 months) that exceeded its current liabilities (debt obligations due in the next 12 months) by 10% or more.
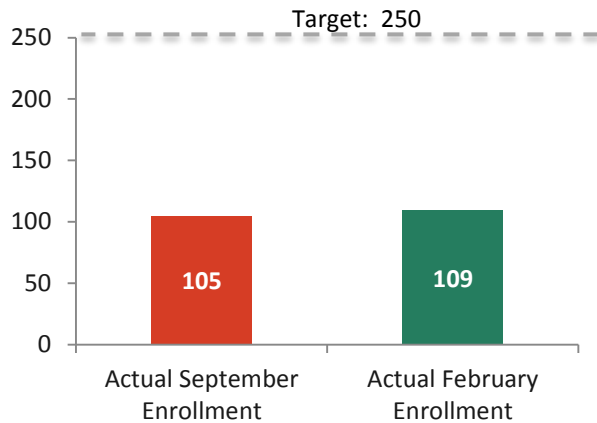
Additionally, the school ended the year with 69 days cash on hand and **met standard** for this ratio. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2014, the school would have been able to operate at its seem spending levels without receiving a tuition support payment from IDOE

Lastly, the school **met standard** for debt default. This metric is determined by both the auditors' comments in the audited financial statements and contact with the school's creditors. In the case of Enlace Academy, neither its auditors nor its creditors provided any indication that the school had defaulted on its debt obligations.
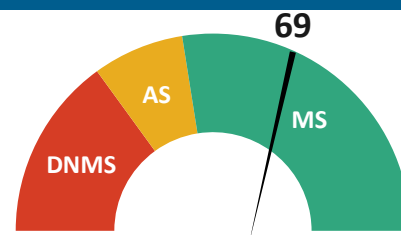
**Enrollment Variance Ratio**

Target: 250

| | Actual September Enrollment | Actual February Enrollment |
|---|---|---|
| | 105 | 109 |

It is important to note that while the school approached standard on this indicator, it was able to meet standard on multiple sub-indiccators due to strong decision making on the part of Enlace school leadership and board members after the unexpectedly low enrollment.

Based on the summary of these sub-indicator ratings, Enlace Academy **approached standard** for Core Question 2.1.
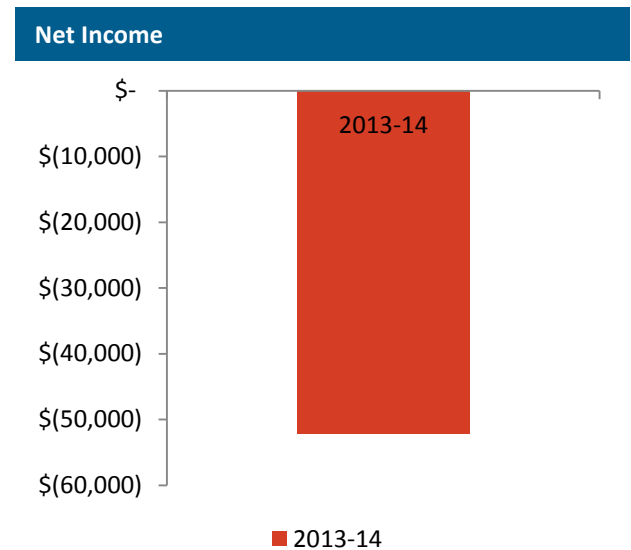
**Days Cash on Hand**

69

AS

DNMS

MS

| 2.2. Long-term Health: Does the organization demonstrate long-term financial health? | | |
|---|---|---|
| **Indicator Targets** | Does not meet standard | The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2. |
| | Approaching standard | The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators. |
| | Meets standard | The school meets standard on 2 of the sub-indicators and approaches standard on the third. |
| | Exceeds standard | The school meets standard for all 3 sub-indicators. |

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|
| **School Rating** | **2013-14** | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| | **DNMS** | N/A | N/A | N/A | N/A | N/A | N/A |

| | Sub- | | Sub-indicator targets | | Result | Rating |
|---|---|---|---|---|---|---|
| **Sub-indicator Ratings** | Aggregate Three-Year Net Income | DNMS | Aggregate 3-year net income is negative. | | -$52,104 (current year) | DNMS |
| | | AS | Aggregate 3-year net income is positive, but most recent year is negative. | | | |
| | | MS | Aggregate three year net income is positive, and most recent year is positive. | | | |
| | Debt to Asset Ratio | DNMS | Debt to Asset ratio equals or exceeds .95 | | 0.27 | MS |
| | | AS | Debt to Asset ratio is between .9 - .95 | | | |
| | | MS | Debt to Asset ratio is less than or equal to .9 | | | |
| | Debt Service Coverage (DSC) Ratio | DNMS | DSC ratio is less than or equal to 1.05 | | -1.60 | DNMS |
| | | AS | DSC ratio is between 1.05-1.2 | | | |
| | | MS | DSC ratio equals or exceeds 1.2 | | | |

The school received a rating of **does not meet standard** for Core Question 2.2. The school **did not meet standard** for the net income sub-indicator. It had a current year net income of **-$52,104**. Since this is the school's first year of operations, it is not possible to calculate the three year aggregate net income.

The school **met standard** for the debt to asset ratio sub-indicator. The school had a ratio of 0.27 meaning that it had significantly fewer debts than it had assets for the 2013-14 fiscal year.

Lastly, the school **did not meet standard** for debt service coverage (DSC). It had a debt service coverage ratio of -1.60 because it generated a net income that did not leave it with enough income generated in the 2013-14 fiscal year to meet the requirements of its debt payable for the 2014-15 school year. The school's debt for the 2014-15 school year is comprised of a capital lease of $30,458 that is payable by June 30, 2015. Though the school ended the year with a negative net income, it did budget to continue making payments on the debt in 2014-15.

Given that Enlace Academy received a rating of does not meet standard for two out of three sub-indicators, it receives a rating of **does not meet standard** for Core Question 2.2.

### Net Income

| | |
|---|---|
| $- | |
| $(10,000) | |
| $(20,000) | 2013-14 |
| $(30,000) | |
| $(40,000) | |
| $(50,000) | |
| $(60,000) | |

■ 2013-14

| 2.3. Does the organization demonstrate it has adequate financial management and systems? | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Indicator Targets | Does not meet standard | The school does not meet standard on 1 of the sub-indicators. | | | | | | |
| | Approaching standard | The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator. | | | | | | |
| | Meets standard | The school meets standard on both sub-indicators. | | | | | | |
| School Rating | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | |
| | **2013-14** | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | |
| | **MS** | N/A | N/A | N/A | N/A | N/A | N/A | |
| **Sub-indicator Ratings** | Sub-indicator | Sub-indicator targets | | | | | | Rating |
| | Financial Audit | DNMS | The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern. | | | | | MS |
| | | AS | The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses. | | | | | |
| | | MS | The school receives a clean audit opinion. | | | | | |
| | Financial Reporting | DNMS | The school fails to satisfy financial reporting requirements. | | | | | MS |

| | | | |
|---|---|---|---|
| Requirements | MS | The school satisfies all financial reporting requirements. | |

Enlace Academy received a rating of **meets standard** for Core Question 2.3 for the 2013-2014 school year. The school received a clean audit from Fitzgerald Issac that contained no significant deficiencies or material weaknesses. The schoold did, however, have some findings in its State Board of Accounts (SBOA) compliance audit. It is important to note that while these findings mean that the school did not follow SBOA guidelines to the fullest extent, these findings do not impact the materiality of the financial statements.

The findings can be summarized as follows: 1) The school did not use proper coding for its cash transactions. 2) Several of the school's employees did not have signed employment contracts on file. 3) The school did not make deposits in what the SBOA defined to be a timely manner.

Enlace Academy responded to these findings by indicating the following: For finding #1, the school has changed its coding system to include complete account information, not just the object code. For finding #2, the school has confirmed that all current year employees have signed contracts on file. For finding #3, the school cites its expanded staff and specific plans to ensure that funds are deposited in a timely manner.

The school received a rating of **meets standard** for its financial reporting requirements for timely submission of quarterly financial statements. The initial draft of its audit was submitted on November 26, 2014.

For these reasons, the school **met standard** for Core Question 2.3 for the 2013-2014 school year.